

**LEGISLATIVE FISCAL OFFICE  
ANALYSIS OF BA-7 REQUEST  
Approved By JLCB**

**DEPARTMENT:** Capital Outlay Cash

**AGENDA NO.:** 1

**AGENCY:** Facility Planning & Control

**ANALYST:** Deborah Vivien

<u>Means of Financing</u>		<u>Expenditures by Program</u>		<u>T. O.</u>
State General Fund:	\$0	Facility Planning & Control	\$37,400,000	0
Interagency Transfers:	\$0			
Self-Generated Revenue:	\$0			
Statutory Dedications:	\$37,400,000			
Federal Funds:	\$0			
<b>Total</b>	<b><u>\$37,400,000</u></b>	<b>Total</b>	<b><u>\$37,400,000</u></b>	<b><u>0</u></b>

**I. SUMMARY/COMMENTS**

The purpose of this BA-7 request is to fund a project with ConAgra Foods Lamb Weston, Inc., (ConAgra) through the LA Mega-Project Development Fund. The project involves the construction of a large-scale, frozen sweet potato processing facility near Delhi in Richland Parish in northeast LA with emphasis on state-of-the-art technology and environmentally conscious practices. The project is split into 2 phases with phase 1 to be completed by June 30, 2011 employing at least 275 full-time workers and requiring \$156M in capital expenditures by ConAgra. Phase 2 is scheduled for completion by January 1, 2014 with at least 500 full-time employees and at least an additional \$55M in capital expenditure by ConAgra. It is expected that ConAgra will invest at least \$211M in the new facility, with a planned opening in November 2010. Approval of this appropriation will provide a grant to ConAgra for use in purchasing plant processing equipment and site infrastructure.

The agreement provides for three alternative plans, one of which will be selected by ConAgra by December 31, 2012, each with increasing capital expenditures and required job counts. In all three alternatives, the state will pay \$32.4M to ConAgra for the Phase 1 development on a reimbursable basis (50% state match) and ConAgra will provide at least \$211M in capital expenditures. The first alternative allows no additional state funding and serves as the minimum requirements of the project with 500 jobs created in years 5-15 of the agreement. The second alternative provides an additional state payment of \$2.4M if ConAgra disburses an additional \$15M on capital expenditures with 550 jobs created in years 7-15 of the agreement. The third and largest alternative is for the state to provide an additional payment of \$5M if ConAgra disburses an additional \$45M and creates 600 jobs in years 7-15 of the agreement.

The cooperative endeavor agreement also provides for the FastStart training program tailored to the ConAgra project, but LED has stated that no additional appropriation will be requested as this service can be funded through the current budget. As in other Mega-project agreements, an extensive clawback mechanism is provided in the case of default. This agreement also provides that the state will not offer any discretionary incentives to a direct national competitor for a LA sweet potato processing facility for three years from the earlier of the commencement of operations or January 1, 2011.

ConAgra operates 20 plants around the world with more than 6,000 employees. The company is traded on the New York Stock Exchange as CAG and is a Fortune 500 company. The Lamb Weston division specializes in potato products and is a leading provider to restaurants and food retailers worldwide.

**II. IMPACT ON FUTURE FISCAL YEARS**

Approval of this BA-7 request will have an impact on future fiscal years as a portion of this appropriation is carried forward to match the scheduled expenditures according to the requirements of the agreement, which is on a reimbursable basis.

**III. LEGISLATIVE FISCAL OFFICE RECOMMENDATION**

The Legislative Fiscal Office recommends approval of this BA-7 request contingent upon approval of the associated Cooperative Endeavor Agreement for the ConAgra Foods Lamb Weston project by the Joint Legislative Committee on the Budget.

**August 28, 2009**